

096678

~~2.06.27~~



**REPORT TO THE COMMITTEE
ON INTERIOR AND INSULAR AFFAIRS
HOUSE OF REPRESENTATIVES**

72-0097 6



**Review Of The Activities
Of The Office Of The
Government Comptroller For Guam**

B-146742

Department of the Interior

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

~~Z00949~~

096678

FEB. 2, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-146742

Dear Mr. Chairman:

This is our report on the activities of the Office of the Government Comptroller for Guam, Department of the Interior. The results of our review are being made available to you in response to your request of January 26, 1971. D, 1720

Our principal observations are summarized in the digest which appears at the beginning of the report.

As a result of an agreement reached with you, we obtained, and incorporated in the report, the comments of the Department of the Interior on the matters discussed in the report. 33

During our review certain legal questions arose concerning the authority of the Government Comptroller for Guam to adjudicate claims and to settle accounts of accountable officers. These questions still are under consideration.

This report is being sent today to the Secretary of the Interior with a request that he furnish us with information on the specific actions and plans that the Department of the Interior has initiated to implement our recommendations. Any additional release of this report will be made only upon your agreement or upon public announcement by you concerning its contents.

Sincerely yours,

Comptroller General
of the United States

The Honorable Wayne N. Aspinall
Chairman, Committee on Interior and
Insular Affairs
House of Representatives

4 0 196

C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1 INTRODUCTION	3
Legislation affecting the government of Guam	3
Sources of revenue for the government of Guam	4
Duties and responsibilities of the Comp- troller	6
Departmental lines of authority relating to Comptroller's activities	7
Financing of Comptroller's activities	8
Accomplishments of the Office of the Gov- ernment Comptroller for Guam	9
2 IMPROVEMENTS NEEDED IN AUDITING AND RE- REPORTING	10
Use of audit resources	10
Time devoted to grant-in-aid audits	11
Time devoted to annual report	13
Need for improvement in audit coverage and reporting	14
Areas in need of further audit cov- erage	14
Need for improvement in audit re- ports	15
Need for wider distribution of au- dit reports	19
Need for improvement in annual report	19
Conclusions	21
Recommendations to the Secretary of the Interior	22
Agency comments	22
3 NEED FOR GREATER SUPPORT OF THE COMPTROL- LER'S OFFICE BY THE DEPARTMENT OF THE INTERIOR	24
Need to fill vacancies on the Comptrol- ler's staff	24
Agency comments	25

	<u>Page</u>
Need to provide certain employee benefits	26
Reemployment rights	26
Assistance in obtaining and paying for housing	27
Shipment of privately owned vehicles	32
Agency comments	33
Need for more suitable office space	34
Agency comments	35
Conclusions	36
Recommendations to the Secretary of the Interior	36

APPENDIX

I	Letter dated January 12, 1972, from the Office of the Secretary of the Interior to the General Accounting Office	37
---	--	----

ABBREVIATIONS

FAA	Federal Aviation Administration
GAO	General Accounting Office
GSA	General Services Administration
OMB	Office of Management and Budget

D I G E S T

BEST DOCUMENT AVAILABLE

WHY THE REVIEW WAS MADE

The Government Comptroller for Guam is responsible for evaluating programs of the government of Guam, for recommending improvements which result in a greater economy and efficiency, and for ensuring that Federal revenues deposited into the treasury of Guam are accounted for properly.

At the request of the Chairman, House Committee on Interior and Insular Affairs, the General Accounting Office (GAO) reviewed the effectiveness of the Comptroller's activities and the adequacy of support furnished to his office by the Department of the Interior.

FINDINGS AND CONCLUSIONS

Background

The Office of the Government Comptroller for Guam, established in September 1968, began operations in July 1969. At the time of GAO's review, the Comptroller had issued to the Secretary of the Interior and to the Governor of Guam about 40 audit reports containing many recommendations. Some of these recommendations resulted in significant improvements in fiscal activities of the government of Guam.

Prior to June 1971 the Comptroller was operating under the general supervision of the Department of the Interior's Office of Territories and was receiving technical direction from it and from the Department's Office of Survey and Review. The Comptroller indicated that he had found this split authority to be confusing. In June 1971 the Deputy Assistant Secretary for Territorial Affairs was assigned responsibility for the direction of the Comptroller's activities. (See p. 7.)

Auditing and reporting

The manner in which the Comptroller allocated his audit resources resulted in certain significant activities of the government of Guam being given very little attention. (See p. 10.)

The Comptroller's audit reports often did not contain enough information to understand the problems being reported, their causes, or the necessary corrective actions. In some cases the information presented in the reports was not substantiated in the working papers. These inadequacies resulted mainly from the Comptroller's not adhering to auditing standards established by his office. (See p. 10.)

FEB. 2, 1972

The Comptroller's annual report would be more useful and informative if it contained (1) a better summarization of audit findings and actions taken and (2) the Comptroller's opinion on the audit of the government made annually by a certified public accounting firm. The organization of the report should be changed to present all matters in a more readable format. (See p. 20.)

Department of Interior support

Certain of the basic support needed to maintain a professional staff in the Comptroller's office was not being furnished by the Department of the Interior. Vacancies on the Comptroller's staff were not being filled on a timely basis.

Members of the staff were not being provided with employee benefits comparable to those provided to employees of other Federal agencies on Guam-- they received no assistance in obtaining or paying for housing, and the Department did not pay for the shipment of the employees' privately owned automobiles to Guam. In addition, suitable office space had not been furnished to the Comptroller or to his staff. Also members of the Comptroller's staff did not have reemployment rights with the Department in the continental United States, although, according to the Comptroller, such rights were regular operating procedures with all other Federal offices in Guam. (See p. 24.)

RECOMMENDATIONS OR SUGGESTIONS

GAO is making a number of recommendations to the Secretary of the Interior for achieving the improvements needed. (See pp. 22 and 36.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department advised GAO of the actions it intended to take to achieve the improvements needed in the auditing and reporting by the Comptroller. The Department also stated that it would study the question of providing housing assistance, but it did not agree with GAO's recommendations to provide reemployment rights and to pay for shipment of employees' privately owned automobiles to Guam. The Department obtained authorization from the General Services Administration for the Comptroller to negotiate for the lease of office space and advised the Comptroller to proceed with such negotiations.

CHAPTER 1

INTRODUCTION

Our review of the activities of the Office of the Government Comptroller for Guam, which was established in September 1968 and which was placed under the general supervision of the Secretary of the Interior, was directed toward the effectiveness of the Comptroller's discharge of the functions of his office and toward the adequacy of support furnished to him by the Department of the Interior, particularly with respect to providing adequate staff, office space, and other services needed to carry out his functions in an efficient and effective manner.

Our review included an examination of the audit reports issued by the Comptroller after his office began operating in July 1969, the working papers supporting selected reports, and other documents pertaining to the administration of the Comptroller's activities. Also we interviewed officials of the Department and of the office of the Comptroller.

Our review was made at the Department headquarters in Washington, D.C., and at the office of the Comptroller in Agana, Guam.

LEGISLATION AFFECTING THE GOVERNMENT OF GUAM

Guam was ceded to the United States by the Treaty of Paris in 1898 after the Spanish-American War. The government of Guam remained under the administration of the Department of the Navy from that time until 1950, except for the period of Japanese occupation during World War II.

The enactment of the Organic Act of Guam in 1950 was the first important step toward granting local self-government to the territory and to the people of Guam. The act granted American citizenship to Guamanian citizens, provided for a popularly elected legislature with power to pass laws and to appropriate funds, and provided for locally collected Federal taxes to be covered (deposited) into the territorial treasury. Under this act, however, the highest official in Guam continued to be a federally appointed

Governor, who had certain broad powers in governing the territory, including the power to veto legislation. Further the Governor's veto, even when overridden by a two-thirds majority of the legislature, could be sustained by the President of the United States.

In 1968 the Congress enacted the Guam Elective Governor Act (Pub. L. 90-497), which provided for a popularly elected Governor and thus made Guam a largely self-governing territory and which established the Office of the Government Comptroller for Guam. The Comptroller is appointed by the Secretary of the Interior and may be removed from office by the Secretary upon 60 days' notice to the Congress of his intention to effect removal and the reason therefor.

In its report (H. Rept. 1521) on the bill (H.R. 7329) which became the Guam Elective Governor Act, the House Committee on Interior and Insular Affairs noted that over two thirds of the revenues available to the government of Guam either came directly from the Federal Government or were received by the government of Guam pursuant to Federal law. The Committee commented as follows:

"There exists, therefore, some basis for the appointment of a Government Comptroller when the Governor becomes an elected official of the territorial government and functions without any direct supervision from the executive branch of Government.

"In view of the continuing Federal interest in the operations of the government of Guam, including direct and indirect Federal financial assistance, the committee takes the position that the appointment of a Government Comptroller is desirable under existing circumstances."

SOURCES OF REVENUE FOR THE GOVERNMENT OF GUAM

The Organic Act of Guam provides that most Federal taxes and fees, including Federal income taxes derived from Guam and any other taxes levied on inhabitants of Guam or taxes paid by members of the Armed Forces and their dependents residing in Guam (who constitute over 20 percent of the population), be covered into the treasury of Guam and

held in account for the government of Guam. The sources of government of Guam revenues for fiscal years 1969 and 1970 are summarized in the following table.

	Fiscal year			
	1969		1970	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Federal revenues (note a):				
Income taxes collected by the government of Guam (note b)	\$16,829,239	26.5	\$23,160,807	28.7
Income taxes collected by the U.S. Government (note b)	8,874,476	14.0	11,140,030	13.8
Immigration and passport fees	63,103	.1	84,721	.1
Rehabilitation grants (note c)	2,124,441	3.3	3,855,013	4.8
Other Federal grants-in-aid	7,906,119	12.4	9,977,117	12.4
Welfare and Medicare	<u>435,400</u>	<u>.7</u>	<u>467,881</u>	<u>.6</u>
Total	<u>36,232,778</u>	<u>57.0</u>	<u>48,685,569</u>	<u>60.4</u>
Territorial revenues:				
General taxes and services	14,117,673	22.2	16,583,263	20.6
Special sales, rentals, and fees	1,139,556	1.8	1,311,906	1.6
Trust and agency contributions, dividends, and interest	1,813,717	2.9	2,366,959	3.0
Enterprise operations (note d)	<u>10,237,249</u>	<u>16.1</u>	<u>11,617,627</u>	<u>14.4</u>
Total	<u>27,308,195</u>	<u>43.0</u>	<u>31,879,755</u>	<u>39.6</u>
Total (note e)	<u>\$63,540,973</u>	<u>100.0</u>	<u>\$80,565,324</u>	<u>100.0</u>

^a Include territorial taxes collected in lieu of Federal taxes.

^b Taxes paid in Guam, in lieu of Federal income taxes, are collected and retained by the government of Guam. Federal income taxes paid by U.S. Government employees in Guam, including the military, are collected by the U.S. Government and returned to the treasury of Guam.

^c Amounts authorized to support the territory's capital improvement program in areas such as education, sewer, and other public works. These amounts exclude Federal loans, which totaled \$9,318,690 in fiscal years 1969 and 1970.

^d Revenues from interest, rental of property, and service charges of various funds, such as the Guam Commercial Port and the Public Utility Agency, and of public corporations in Guam, such as the housing authority and the air terminal.

^e Revenues are reported for fiscal year 1969 on the cash basis and for fiscal year 1970 on the accrual basis. Fiscal year 1970 revenues increased about \$5 million as a result of the change to the accrual basis of accounting.

DUTIES AND RESPONSIBILITIES OF THE COMPTROLLER

The Guam Elective Governor Act assigns the following duties to the Comptroller.

- Audit all accounts and review and recommend the adjudication of claims.
- Report to the Secretary of the Interior and to the Governor of Guam all failures to collect amounts due the government and all expenditures of funds or uses of property that are irregular or not pursuant to law.
- Submit to the Secretary of the Interior and to the Governor of Guam an annual report of the fiscal condition of the government of Guam. The Secretary of the Interior shall submit such report, along with his comments and recommendations, to the President of the Senate and to the Speaker of the House of Representatives.
- Make such other reports as may be required by the Governor of Guam, the Comptroller General of the United States, or the Secretary of the Interior.

The act prescribed that the Comptroller's audits be directed to evaluating government of Guam programs, to recommending improvements which will result in greater economy and efficiency, and to ensuring that Federal revenues covered into the treasury of Guam are accounted for properly.

The act also provides that the Comptroller's annual report (1) be submitted as soon after the close of each fiscal year as the accounts can be examined and adjusted, (2) show the receipts and disbursements of the government departments and agencies, and (3) be forwarded by the Secretary of the Interior, with his comments, to the Congress.

The act gives the Comptroller authority for access to all records of the government of Guam but states that he is not to be a part of any executive department of the government. The intent of the Congress in this respect is explained in the House of Representatives report on the bill which became the Guam Elective Governor Act, as follows:

"The committee wishes to make its position clear with respect to the functions and responsibilities of the Government Comptroller. The committee takes the position that the function of the Government Comptroller is only that of an auditor. He is not a policy maker and shall not in any way interfere with the administration of the executive branch of the government of Guam."

DEPARTMENTAL LINES OF AUTHORITY
RELATING TO COMPTROLLER'S ACTIVITIES

Prior to June 1971 the Comptroller was operating under the general supervision of the Department of the Interior's Office of Territories and was receiving technical direction from it and from the Department's Office of Survey and Review. The Comptroller indicated that he had found this split authority to be confusing.

The Department's Office of Survey and Review had been reviewing the Comptroller's reports prior to their issuance. In June 1970 the Office of Survey and Review informed the Comptroller that it would review audit reports on a post-issuance basis and that any comments thereon should be considered as postaudit critiques for his guidance and consideration.

In May 1971 a Department reorganization abolished the Office of Territories and assigned the complete responsibility for supervision of the Office of the Comptroller to the Office of Survey and Review, effective July 1, 1971.

In June 1971, however, the Comptroller was advised by the Deputy Assistant Secretary for Administration that management reports, policy items, and other operating matters should be submitted directly to the newly created Office of the Deputy Assistant Secretary for Territorial Affairs. We were advised by an official in the Office of Survey and Review that this action had eliminated his office from any responsibility it had for supervision of the office of the Comptroller.

In October 1971 a departmental manual release was issued, which formalized the transfer of the responsibility for the supervision of the Comptroller from the Office of Survey and Review to the Deputy Assistant Secretary for Territorial Affairs.

Although the Director, Office of Survey and Review, stated that he had been advised by the Deputy Assistant Secretary for Territorial Affairs that his office would be requested to provide technical assistance, we were not able to obtain any information from the Deputy Assistant Secretary as to the amount and type of technical assistance he would request the Office of Survey and Review to provide. Also no departmental policy or guidance was issued concerning the Office of Survey and Review's specific role and responsibilities in relation to the office of the Comptroller.

FINANCING OF COMPTROLLER'S ACTIVITIES

The Congress appropriates funds for the payment of salaries and expenses of the office of the Comptroller. The funds which are provided include Federal tax funds collected by the U.S. Government that otherwise would be turned over to the government of Guam pursuant to provisions of the Organic Act of Guam.

The expenses of the office of the Comptroller for fiscal year 1970 and the budgeted expenses for fiscal years 1971 and 1972 are shown in the following table.

<u>Expenses</u>	Actual fiscal year <u>1970</u>	<u>Budgeted</u>	
		Fiscal year <u>1971</u>	Fiscal year <u>1972</u>
Personnel expenses	\$157,320	\$234,413	\$ -
Travel and transportation	24,742	16,937	-
Other	<u>14,728</u>	<u>22,072</u>	<u>-</u>
	<u>\$196,790</u>	<u>\$273,422</u>	<u>\$398,400^a</u>

^a Estimate not broken down into categories.

The increase in the budgeted expenses for 1971 was caused primarily by a higher staffing level for the office and by pay raises. The increase for 1972 primarily was to provide for four new auditor positions that had been approved by the Department.

ACCOMPLISHMENTS OF THE OFFICE
OF THE GOVERNMENT COMPTROLLER FOR GUAM

Although, at the time of our review, the office of the Comptroller had been in operation for less than 2 years, some of its accomplishments were significant. During that period the Comptroller issued about 40 audit reports containing many recommendations. Some of these recommendations resulted in significant improvements in fiscal activities of the government of Guam.

One of the important recommendations was that the government of Guam, which had been accounting for revenue on a cash basis, convert to the accrual system of accounting. This change resulted in recognizing receivables of about \$5 million in fiscal year 1970 as income.

In reporting on budgetary controls, the Comptroller disclosed that there had been large overobligations of funds, pointed out the seriousness of the situation, and recommended that several types of controls be established to prevent such overobligations. The most important of these recommendations, in our opinion, was the recommendation that certain government of Guam employees be designated as certifying officers who could be held personally responsible for overobligations when they occurred. This recommendation resulted in the introduction in the Guam Legislature of a bill, which was pending at the time of our review, to establish such responsibility.

In addition, the Comptroller has issued reports drawing attention to the failure of the government of Guam to (1) collect receivables, (2) follow its standard procurement practices, (3) exercise adequate control over travel funds, and (4) properly account for Federal grant funds.

CHAPTER 2

IMPROVEMENTS NEEDED IN AUDITING AND REPORTING

Our review showed that the manner in which the Comptroller allocated his audit resources resulted in certain significant activities of the government of Guam being given very little attention. Our review showed also that the Comptroller's audit reports often did not contain sufficient information to give an understanding of the problems being reported on, their causes, or the actions necessary for their correction. Also, in some cases, the information presented in the reports was not substantiated in the working papers. These inadequacies resulted mainly from the Comptroller's not adhering to auditing standards established by his office.

USE OF AUDIT RESOURCES

In our opinion, the Comptroller frequently did not allocate his available audit resources to those activities of the government of Guam most in need of audit coverage. The Guam Elective Governor Act prescribed that the Comptroller's audits be directed to evaluating government of Guam programs and to recommending improvements for attaining greater economy and efficiency and for ensuring that Federal revenues are accounted for properly. A large part of the Comptroller's audit efforts, however, have been directed to reviewing small Federal grants-in-aid and to preparing his annual report. As a result a number of significant activities of the government of Guam have been given very little attention by the Comptroller's office.

The following table, based on information obtained from the Comptroller's records, shows the application of estimated man-days--audit and administrative staff time--during the period August 1969 through February 1971.

	<u>Estimated man-days</u>	<u>Percent</u>
Management audits	834	42.7
Audits of grants-in-aid	595 ^a	30.5
Preparation of annual report	392	20.1
Reports requested by the Governor	<u>131</u>	<u>6.7</u>
	<u>1,952</u>	<u>100.0</u>

^aDepartment records show 523 man-days spent on audits of grants-in-aid. Information needed to reconcile the difference was not readily available.

Details on the grant-in-aid audits and the preparation of the annual report are presented in the following sections.

Time devoted to grant-in-aid audits

As shown above, about 30 percent of the available man-days were used in making 12 audits of various programs involving the expenditure of about \$1.7 million consisting of Federal grant-in-aid funds of about \$1.3 million and matching funds of about \$0.4 million. We recognize that the reports point out some important deficiencies and that they will be of value to the government of Guam. Because total government of Guam revenues for fiscal year 1970 amounted to about \$80.6 million and because only about \$13.8 million of this amount consisted of Federal grants-in-aid, we are of the opinion that a disproportionate share of the audit resources were used for auditing grant-in-aid funds rather than for ensuring that all revenues were accounted for properly.

The Comptroller agreed that a disproportionate share of the available man-days was used in making audits of grants and that these audits involved much more time than he originally had planned to devote to such work. He stated that he would not have made any of these audits on his own initiative but that he had done so at the direction of the Department of the Interior and with the understanding that he would be authorized to hire additional auditors to assist in the work.

The Comptroller's request for three additional audit positions for the grant audits was approved by the Department but was subsequently disapproved by the Office of Management and Budget. Between January 1970 and April 1971, one supervisor and from one to two of the eight authorized auditors on the Comptroller's staff were engaged almost full time in making grant audits.

The Department of the Interior requested the Comptroller to audit the grants in order to meet the requirements of Bureau of the Budget Circular Nos. A-87 and A-88 which assigned to the Department of the Interior the responsibility for auditing Federal agencies' grants to the government of Guam on a reimbursable basis.

An important effect of the audit time expended in auditing grants is the resulting reduction in the time available for making other audits.

The Director, Office of Survey and Review, stated that the Comptroller had been requested to perform the grant-in-aid audits because it was intended to have only one Federal auditor on Guam and because the Comptroller could perform this work at the least cost. He stated also that this method of having such audits performed was consistent with the Office of Management and Budget's requirement for a single agency to be assigned the responsibility for making such audits.

The Director, Office of Survey and Review, stated further that the amount of time devoted to grant-in-aid audits had been declining substantially from the latter part of 1970, due to the difficulty experienced with the audits, the excessive time required for the audits, and the opinion of the Department's Solicitor's office that the appropriation of the Comptroller must be reimbursed for the full costs of the audits. We noted that the reimbursement rate paid by the Department was established for all agencies by the Office of Management and Budget. The Comptroller considers the rate inadequate to cover the actual auditing costs.

The Director stated that only 8 man-days had been spent by the Government Comptroller on grant-in-aid audits during

the first 5 months of fiscal year 1972 and that this time was used in completing assignments started earlier. We were informed that the Comptroller had received only one new assignment for a grant-in-aid audit to be performed during fiscal year 1972.

Time devoted to annual report

About 20 percent of the Comptroller's available man-days were used in the preparation of the annual report, which was essentially a summary of audits made during the year. (Further comments on the report are presented on p. 19.) The Comptroller acknowledged that too much time had been expended on the preparation of the annual report and indicated that less time would be spent in the future. He pointed out, however, that some of the time recorded as being applicable to the preparation of the report had been spent on following up on prior audits and had resulted in the identification of areas for future audit.

NEED FOR IMPROVEMENT IN
AUDIT COVERAGE AND REPORTING

Our review showed that only very limited audits had been made of several important activities of the government of Guam. We noted a number of weaknesses in the Comptroller's audit reports.

Areas in need of further audit coverage

During the period August 1969 through February 1971, the Comptroller used about 43 percent of his audit resources in making management audits. These audits were directed primarily to evaluating activities of the government of Guam and to recommending improvements for attaining greater economy and efficiency. The audits covered such areas as budgetary controls, accounts receivable of various governmental departments and agencies, procurement practices, and control over travel funds.

Although these audits resulted in recommendations for improvements, we believe that the Comptroller has not made optimum use of his available audit resources. Limited audits had been made of the Department of Education, which accounts for about 35 percent of the government's expenditures. In addition, no audits had been made of many of the other large departments of the government, such as the Departments of Agriculture, Commerce, Public Health and Social Services, and Public Safety.

The Guam Elective Governor Act, in establishing the Comptroller's office, assigned to the Comptroller the responsibility for making financial audits of the activities of the government of Guam. We noted, however, that the legislature enacted Public Law 6-20 in July 1961 that provided for an annual audit of all government accounts and financial transactions.

These audits were made by a certified public accounting (CPA) firm, under a contract with the Guam Legislature. The CPA firm's reports to the legislature were made available to the Comptroller. The Comptroller advised us that, although he recognized that the act gave him the responsibility for making the financial audits, he did not have sufficient staff to assume this responsibility.

The Comptroller advised us also that, in accordance with his statutory responsibilities, he had reviewed the CPA firm's audit working papers and reports and considered that the scope of its audit had been adequate.

Need for improvement in audit reports

Our review of the Comptroller's reports on audits of the activities of the government of Guam indicated that they could have been more informative as to the manner in which the activities were being conducted. We believe that, to facilitate action by the Governor of Guam to make necessary improvements, the Comptroller's audit reports should provide a complete explanation of the needed improvement and of the nature of the required corrective action.

Following are comments on certain audit reports of the Comptroller which, in our opinion, illustrate the need for improved reporting.

1. In a January 1971 report on budgetary controls over expenditures of the government of Guam for fiscal years 1969 and 1970, the Comptroller stated that unauthorized cash advances had been made from the General Fund to three special funds and that appropriations had been overobligated. The report stated that the Governor was authorized by law to make advances to the special funds of the Public Utility Agency and of the Commercial Port. We noted that there was no legislation authorizing the advance of funds to the special fund for the school lunch program.

The report stated also that the authority to make advances to the Commercial Port fund expired June 30, 1969, and that the availability of advances to the Public Utility Agency fund was limited to 6 months. The report pointed out that at June 30, 1969, unrepaid advances to these funds amounted to \$5,866,432 and that in fiscal year 1970 the legislature appropriated funds from the General Fund to cover the unrepaid advances to the special funds.

The report pointed out also that advances of \$3,184,346 were made during fiscal year 1970 and that they were unrepaid at June 30, 1970. The report stated that the effect of the advances was to make funds available for capital expenditures without approval by the legislature. The report, however, did not show the total amount of the unauthorized advances, or the amounts used for capital expenditures, or the reasons for the advances.

The report recommended that the government code be changed to prohibit advances to the Public Utility Agency fund for capital expenditures. The report did not make any recommendations regarding advances to the other two funds.

Concerning the overobligation of appropriations, the report stated that a serious lack of control had resulted in substantial overobligations of appropriations and allotments in fiscal years 1968, 1969, and 1970. Although the report contained certain recommendations for strengthening controls to prevent overobligations, the report did not state the amount of the overobligations by the various departments and/or agencies or what the overobligations were for.

2. The Comptroller issued four reports in July and August 1970 on accounts receivable which had not been collected by departments and agencies of the government of Guam. Two of the reports pointed out that the Guam Memorial Hospital and the Department of Revenue and Taxation had outstanding accounts receivable of \$2.6 million and \$2.9 million, respectively, at the end of fiscal year 1969. The reports also stated that most of these receivables were uncollectible and estimated that only \$925,000 could be collected through the use of more aggressive collection efforts.

The reports identified some causes for failure to collect the receivables but contained very little information on those causes that were identified.

For example, the report on the Guam Memorial Hospital stated that collections of some accounts had been hindered by a certain Guam law relating to the collection of hospital charges. The law directed that the government of Guam take no action to enforce payment of fees charged unless the rules and policies for abatements and discounts from such fees that had been authorized by another law were adopted and promulgated.

The report on the hospital stated also that these rules and policies were not formulated until June 1969 and that an attorney general had issued an opinion that all bills prior to June 1969 were legally uncollectible and were not subject to suit. The report, however, did not indicate the number of accounts or the amount of receivables that had been affected by the law. The Comptroller, however, recommended that the law be changed to facilitate the collection of hospital charges from those who have the ability to pay, but he did not state how it should be changed.

Our review of other reports indicated a similar lack of in-depth reporting and the inclusion of statements that were not fully substantiated by information in the working papers. The Comptroller agreed that his audit reports could have been more complete and that the audit findings could have been more fully substantiated.

In our opinion, most of these reporting problems were caused by a lack of adherence to the established auditing standards. The Comptroller's manual sets forth the standards of audit performance to be observed by the Comptroller's staff. The standards provide, among other things, that the staff secure sufficient, relevant, and factual information through inspection, observation, confirmation, interview, test, and analysis of policies and practices of the organization being examined so as to afford a sound basis for the statements of conditions, opinions, and recommendations.

The standards provide also that the facts or evidence be sufficient; clear; conclusive; and relevant to, and

representative of, the matter under consideration, so as to convince any reasonably prudent person that they are valid and true.

In conducting audits and in reporting on the results of the audits, the Comptroller should adhere more closely to the auditing and reporting standards established by his office. The Office of Survey and Review, Department of the Interior, has previously expressed a similar view in a letter to the Comptroller.

The Director, Office of Survey and Review, agreed that the audit reports of the Comptroller's office did not meet the standards established for the office. The Director stated that the deficiencies had been called to the Comptroller's attention.

Need for wider distribution of audit reports

We noted that the Comptroller's reports, as required by law, were issued to the Governor of Guam and to the Secretary of the Interior. Except for his annual report, the Comptroller's reports are not issued to the Guam Legislature nor made available to the public. Since many of the reports deal with the application and interpretation of public laws, opinions concerning proposed legislation, and unresolved issues of general interest, the Guam Legislature and the public should, in our opinion, be informed of such matters. We noted that in June 1971 the Guam Legislature approved a resolution requesting the Comptroller to furnish the legislature with two copies of his audit reports.

The Director, Office of Survey and Review, agreed that the Comptroller's audit reports should be provided to the Guam Legislature. The Director advised us that action had been taken to provide the legislature with all audit reports that had been issued and that the legislature would be provided with copies of all future reports.

Need for improvement in annual report

The Comptroller's annual report is of particular importance, because it is the only report specifically required by law to be submitted to the Congress, along with the comments and recommendations of the Secretary of the Interior, on the fiscal condition of the government of Guam, including the receipts and disbursements of the various departments and agencies of the government.

The annual report for fiscal year 1970 consisted of a discussion of the operations of the Comptroller's office, a summary of the audit findings contained in the reports issued throughout the year, an appendix showing the status of the recommendations contained in those reports, and the CPA firm's report on its financial audit of the government. Our review of the summarization of the audit findings indicated a need for more complete reporting of the type discussed in our comments on those reports.

We noted that information obtained during audits of the various activities was scattered throughout the report. For example, information from the four audit reports on accounts receivable was presented in six different places in the annual report rather than presented in one place. This method of presentation does not permit a reader of the annual report to readily determine the results of the audit.

We noted also that the report did not present a clear picture of the facts. The report stated that the government had realized over half of the estimated savings of \$712,000 that the Comptroller, in an audit report, stated could be achieved in Commercial Port costs by implementing his recommendations. On the basis of an analysis of the information available to us, it appears that, at most, a savings of about \$191,000 was realized.

Part of the savings estimated by the Comptroller resulted from transferring a grass-mowing operation from the Commercial Port to the Department of Education, and we believe that there is no saving to the government from this action because both the Commercial Port and the Department of Education are part of the government of Guam. The Comptroller considered the fiscal year 1970 total cost of port security as a saving rather than the decrease in the port security costs from fiscal year 1969 to fiscal year 1970, which occurred as a result of his recommendations.

We noted further that the Comptroller's annual report dealt, to a great extent, with the activities of his office. We believe, however, that the annual report would be more useful and informative if it contained a better summarization of audit findings and action taken thereon, if it contained the Comptroller's opinion on the audit of the financial condition of the government made by the CPA firm, and if the organization of the report were changed to present all matters in a more readable format.

CONCLUSIONS

In our opinion, greater benefits could be derived by the government of Guam from the reviews made by the Comptroller's office if a greater proportion of his audit resources were allocated to the review of the activities of the government of Guam involving substantial expenditures of government funds.

We recognize that the Department began reducing the amount of time spent on grant-in-aid audits late in 1970. We believe, however, that the Department, in future planning for the application of audit resources, should continue giving consideration to the extent to which audits of grants-in-aid should be made for other Federal agencies.

We believe that the Comptroller, in conducting audits and in reporting on the results of the audits, should adhere more closely to auditing and reporting standards established by his office. Also, in our opinion, the Comptroller's statutory responsibility requires that his audit reports contain full descriptions of any deficiencies disclosed, the circumstances that resulted in the deficiencies, and the recommended corrective actions.

We believe that the Comptroller's annual report should be presented in an easy-to-read form and should stress the most important issues concerning the fiscal condition of the government of Guam and the actions being taken to correct any noted deficiencies.

We believe that the Department's decision to provide copies of the Comptroller's audit reports to the Guam Legislature should assist the legislature in its consideration of legislation, including appropriations. We believe also that the audit reports should be made available to the public.

In view of the assignment of the responsibility for making financial audits of the activities of the government of Guam to the Comptroller by the Guam Elective Governor Act and in view of the Guam Legislature's contracting for such audits, we believe that the Department should consider whether it would be more appropriate for the Comptroller,

rather than the legislature, to enter into contracts for the audits until such time that he has sufficient staff to conduct the audits. If it is determined to be more appropriate for the Comptroller to contract for such audits, the Department should approach the Guam Legislature in an effort to effect this change.

The Director, Office of Survey and Review, advised us that the Department would take under consideration the question of whether the Comptroller, rather than the legislature, should enter into contracts for audits of the government of Guam.

RECOMMENDATIONS TO THE SECRETARY OF THE INTERIOR

We recommend that the Deputy Assistant Secretary for Territorial Affairs be directed to:

- Ensure that a greater proportion of the Comptroller's audit resources are allocated to a review of activities of the government of Guam involving substantial expenditures of funds.
- Ensure that the Comptroller's audit reports meet prescribed reporting standards and that his audit reports and his annual report present all findings in a clear, concise, and convincing manner.

AGENCY COMMENTS

In commenting on our draft report by letter dated January 12, 1972 (see app.), the Department of the Interior advised us that the Deputy Assistant Secretary for Territorial Affairs would require the Comptroller to prepare an annual operating program which would provide for time budgeting related to established audit priorities, including consideration of (1) allocating a greater proportion of audit resources to review of those activities of the government of Guam that involve substantial expenditures of government funds and (2) the extent to which audits of grants-in-aid should be made for other Federal agencies. The Department also said that it intended to establish quality

controls over the Comptroller's operations, including the use of onsite reviews of the Comptroller's work.

The Department advised us also that on July 29, 1971, the Deputy Assistant Secretary for Territorial Affairs instructed the Comptroller to make his reports available to the Guam Legislature. The Department advised us further that the provisions of the Freedom of Information Act, concerning records available to the public, were applicable to the Comptroller's reports.

CHAPTER 3

NEED FOR GREATER SUPPORT OF THE COMPTROLLER'S OFFICE

BY THE DEPARTMENT OF THE INTERIOR

Our review showed that the Department was not giving the Comptroller's office the administrative support necessary to maintain a qualified professional staff. We noted that there was a need to (1) fill vacancies on the Comptroller's staff, (2) provide certain employee benefits generally furnished to other Federal employees on Guam, and (3) provide more suitable office space.

NEED TO FILL VACANCIES ON THE COMPTROLLER'S STAFF

When the Office of the Government Comptroller for Guam began operating in July 1969, the authorized staff included eight auditors, two secretaries, a legal counsel, and the Comptroller. Because a personnel ceiling of 10 positions was imposed by the Office of Territories as a result of its overall ceiling established by the Department, two of the audit positions were not filled until July and September 1970.

The Comptroller believed that, even if all authorized positions were filled, his staff would be too small, as indicated by the following statement in his 1970 annual report:

"It should be noted that our current authorized staff is quantitatively inadequate to accomplish the work which we believe should be done. We have requested additional staff for fiscal year 1972."

One audit position became vacant in January 1971 and was not filled until August 1971. In July 1971 the Department authorized four new audit positions, and in August 1971 an additional position became vacant. Thus, of the 12 authorized audit positions, five were vacant in August 1971. We noted, however, that two of these audit positions had been filled as of October 31, 1971.

The Department does the recruiting in the United States for the Comptroller's staff, and the Comptroller does the recruiting for his staff on Guam. Because qualified auditors generally are not available on Guam, we believe that the Department should intensify its effort to fill vacant positions on the Comptroller's staff more timely.

Agency comments

The Department, in commenting on our draft report, advised us that it was difficult to reconstruct the circumstances surrounding the delay in recruiting for the position that was vacant in January and not filled until August 1971 but noted that during this time its Office of Territories was in the process of being abolished.

The Department stated that, during a visit to Washington in August 1971, the Comptroller interviewed seven candidates for the five vacancies. Two of these candidates were hired and entered on duty October 31, 1971.

The Department advised us that, after returning to Guam, the Comptroller had selected applicants for the three remaining vacancies but that the Department had been unable to hire the selected applicants. The Department stated that there were three candidates for these vacancies. The appointment of a candidate to one position is awaiting Civil Service Commission certification; the appointment of another candidate is awaiting the receipt of a reply to a letter asking his current employer for a date of availability; and the Branch of Personnel Operations is currently awaiting a signed request for personnel action from the Comptroller to hire the third.

We believe that the length of time that these six positions were vacant--a total of about 2 man-years--indicates that recruitment efforts have not been entirely successful.

- - - -

The Department's position of not providing certain employee benefits, as discussed in the following sections, appears to have contributed to the Department's difficulty in recruiting persons in the United States for the Comptroller's staff, on a timely basis.

NEED TO PROVIDE CERTAIN EMPLOYEE BENEFITS

The Comptroller's staff generally has not been provided certain employee benefits that normally are furnished to employees, except those hired locally, of other Federal agencies on Guam. These benefits include subsidized family housing; reimbursement for the cost of shipping privately owned automobiles to and from Guam; and, according to the Comptroller, reemployment rights in the continental United States.

Reemployment rights

The Department does not provide reemployment rights to any employees of the Comptroller's office. Under Civil Service Commission policy, departments and agencies are authorized to provide reemployment rights to career Federal employees serving in certain overseas positions. This policy is designed to allow career Federal employees to make the maximum contribution to the national interest without undue concern for their own economic future. A Civil Service Commission official advised us that this policy was applicable to persons in such positions as those on the Comptroller's staff.

The failure to provide reemployment rights was brought to the attention of the Department of the Interior by the Comptroller in January 1970, when he reported that:

"No central programs currently exist for the Comptroller's office in career development, training, or reemployment rights ***. We understand that reemployment rights are regular operating procedures with all other Federal offices in Guam except the Department of Interior. Training and development programs are provided for in the Federal Manual, and we hope they can be implemented with respect to the Comptroller's Office."

In April 1971 Department officials told us that the Department's auditing positions in the United States were not sufficient to enable the Department to guarantee jobs in the United States to members of the Comptroller's staff. We noted that, as of October 31, 1971, the Department had

479 persons employed as accountants in Washington, D.C., and in various field locations, of whom 113 held audit positions in the Department's Office of Survey and Review. The remaining 366 persons were employed in the various bureaus of the Department.

We believe that, with 479 auditing and accounting filled positions in the Department, sufficient vacancies would be produced through retirements, transfers, and resignations so that the Department could establish a workable reemployment rights program for the Comptroller's staff.

We believe that the lack of reemployment rights is detrimental both to the recruiting of a qualified staff and to staff morale.

Assistance in obtaining and paying for housing

At the time of our review, the Department was not providing any assistance to the Comptroller or his staff in obtaining suitable housing and was not subsidizing any part of the employees' housing costs even though adequate housing was hard to find and very expensive.

We found that there was an extreme housing shortage on Guam, that long waits were experienced in finding rental units or homes to purchase, and that, when rental units or homes were available, they were quite expensive. Delays of up to a year in finding housing suitable for rental or purchase are not uncommon on Guam. Therefore obtaining suitable housing is probably the biggest problem to be faced by a new employee upon arrival on Guam. Most other Federal agencies on Guam either furnish their employees some form of Government housing or provide rental subsidies.

Our review of general housing conditions on Guam included an examination of a report on a survey made by the Comptroller's Legal Counsel in March 1970; discussions with Federal employees on Guam, including members of the Comptroller's staff; and an examination of the housing policies of the Federal Aviation Administration (FAA), which had over 140 employees on Guam--by far the largest number of any Federal civil agency.

At the time of our review, the Department of the Interior had not furnished Government housing or rental subsidies for any members of the Comptroller's staff. Only the Comptroller was living in subsidized housing, and this was provided by the government of Guam. All other employees of his office had purchased homes.

The Comptroller in a February 1971 letter to the Department, setting forth the qualifications required of a new auditor on his staff, included the following statement:

"He and his family should be patient and prepared to accept inadequate and substandard housing at high prices. They should be patient and understanding and willing to make sacrifices."

In contrast FAA constructed 96 Government housing units on Guam and authorized the leasing of 35 additional units, pursuant to criteria established by the Office of Management and Budget. All of this housing was made available to FAA employees at subsidized rates. Also FAA offered Government land in its housing area to other Federal agencies, including the Comptroller's office, for the construction of housing for employees.

In addition, the Navy offered to construct housing on a reimbursable basis for civil agencies, including the Comptroller's office, on Government land as part of its construction program. The Comptroller had reported both of these offers to the Department by December 1970; but, as of May 1971, no action had been taken by the Department.

The position of the Director of the Department's former Office of Territories in regard to housing was set forth in a letter from the Director to the Comptroller in October 1969, as follows:

"Let me assure you of my desire to cope with these matters [employee benefits] in a way that will not cause a morale problem among your employees or make your job more difficult. We must, however, keep in mind our overall responsibility for the area and the fact that unlike the other Federal activities on Guam your office is financed by funds that would otherwise be available for expenditures by the Government of Guam. ***"

* . * * * *

"With respect to subsidized housing for your employees, this would, of course, require enabling legislation. While nothing can be done immediately to relieve the situation, the availability and cost of housing in Guam *** pose real problems. This matter will be explored with a view toward alleviating the situation."

In our discussions with officials of the former Office of Territories in April 1971, we were advised that the status of the housing problem remained essentially unchanged. The officials still were studying the idea of building houses, but they believed that basically it was up to each employee to find his own housing.

The Director of the Office of Survey and Review consistently has pointed out the need for a housing program and was critical of the Comptroller's use of government of Guam housing. He stated that the Comptroller was being given preferential treatment over other departmental employees on Guam and was occupying the housing at the sufferance of the government of Guam, a condition inconsistent with an independent overview of that government. In a March 1971 memorandum, the Director expressed the opinion that the Department should provide benefits for its employees equal to those provided other Federal employees on Guam and concluded, as follows:

"More important than the issue of equitable treatment of our employees, as significant as it may be, is the effect on the operations of these offices of the current housing policy *** the present housing policies, represent a position by the Department which hampers recruitment, penalizes the employees and places the Department in an indefensible position with respect to Congressional inquiry and accordingly, there is an urgent need for corrective action."

In May 1971 the Governor of Guam advised the Comptroller that, to the best of his ability, he would provide housing for members of the Comptroller's staff. We noted,

however, that local law provided that government of Guam housing be made available to Federal employees, on a monthly basis and at the market rate, only to the extent that it was excess to other needs. We noted also that the Comptroller was paying rent at the rate of \$70 a month, which was less than the market rate.

No assurance exists, however, that any government of Guam housing will be made available for members of the Comptroller's staff, and, as indicated by the Director of the Office of Survey and Review, occupancy of such housing may affect the independence of the Comptroller's office in dealing with the government of Guam.

The purchase of a home usually requires a substantial outlay of cash for a down payment, which could be a considerable hardship on staff members, especially those in the lower grades. We believe that, under the policy established by the Office of Management and Budget (OMB), housing could be constructed by the Department for the Comptroller and his staff. OMB policy states that such housing may be constructed under certain conditions, as follows:

"Lack of available housing. At remote stations, foreign service posts, or under other circumstances where the head of the agency determines that necessary service cannot be rendered unless Government-owned houses are constructed for employees. In such cases, the agency head's determination must be based on his supported finding that the available supply--present and prospective--of governmental and private housing within reasonable commuting distance will not meet the necessary housing requirements. In determining the adequacy of the available supply, consideration must be given to any additional private housing that can be reasonably expected to be constructed or otherwise become available."

Because obtaining rental housing on Guam is difficult and the cost of such housing is high, we believe that the Department should provide some form of housing assistance to the Comptroller and his staff. The assistance could be in any of the forms currently being provided by other

Federal agencies on Guam, such as constructing new housing for leasing to employees at reasonable rental rates; leasing existing housing, as it becomes available, for subleasing to employees at reasonable rates; or providing rental subsidies to employees who are able to locate suitable housing. In the interest of avoiding the appearance of compromising the independence and objectivity of the Comptroller and his staff, such assistance, in our opinion, should not be made available by the government of Guam.

Shipment of privately owned vehicles

There is no public transportation on Guam with the exception of taxis. Therefore automobiles are essential for getting to work, for use on the job, and for personal convenience. Most Federal agencies on Guam recognize this need and provide for the shipment of their employees' privately owned vehicles to and from Guam at Government expense.

In October 1969, however, the Director of the Department's former Office of Territories determined that the use of privately owned vehicles on Guam was primarily for the benefit of the employees or their families and denied the Comptroller's budget request for funds for the shipment of privately owned automobiles.

We found that all members of the Comptroller's staff were using their own automobiles for getting to work and for traveling to and from the audit sites on the island.

Under present arrangements employees recruited in the United States for the Comptroller's office must either sell their automobiles, possibly at a loss, and buy replacement vehicles upon arrival on Guam or pay for shipping their automobiles with their own funds. The average one-way cost to ship an American automobile from California to Guam is about \$700. American automobiles cost substantially more on Guam than in the United States.

At the time of our review, the Comptroller's office had one automobile for official use. It was a small Japanese car leased from the government of Guam. At the Comptroller's request, the Department had ordered two American cars which were scheduled to be used in place of the leased vehicle. According to the Comptroller, these two cars were delivered to Guam in December 1971.

In discussions with us in April and May 1971, Department officials took the position that, because two official vehicles were being furnished, it would not be necessary to ship employees' private vehicles to Guam. We believe, however, that the two official vehicles will not adequately serve the needs of auditors working at various audit sites and living in widely separated locations on Guam. We

believe also that authorization to ship employees' private automobiles would obviate the need for official vehicles.

In our opinion, the members of the Comptroller's staff have as great a need for automobiles in their work as employees of any other Government agency on Guam. The Department's decision not to ship employees' automobiles to Guam at Government expense has resulted in an inequitable treatment of the Department's employees and has reduced the incentive for persons to accept positions on the Comptroller's staff.

Agency comments

The Department of the Interior, in commenting on our draft report, stated that the recruitment of qualified personnel had been accomplished successfully without granting reemployment rights.

Although we do not attribute the extended vacancies only to the absence of one or more of the employee benefits discussed in this report, we believe that providing these benefits would considerably enhance the recruiting efforts of the Department.

The Department advised us that it intended to study the matter of housing for employees of the Comptroller's office. The Department stated that, if the study showed an inequity for those employees compared with other Federal employees on Guam and if there was a statutory basis for providing housing or rental subsidies, such subsidies would be favorably considered.

The Department maintained that its policy of not paying for the shipment of privately owned vehicles of employees of the Office of the Comptroller for Guam was justified. In its opinion, the economics of the situation--not only for the Government but also for the individual--could not justify paying for the shipment of privately owned vehicles of the Comptroller's employees. The Department stated that regulations did not provide for shipment of private autos for the convenience of the employee or for transportation to and from work.

OMB regulations require that, if a privately owned vehicle is to be shipped at Government expense, the use of the vehicle must not be primarily for the convenience of the employee and his immediate family.

Although we recognize that shipment of a privately owned vehicle to some locations would be considered to be for the employee's personal convenience, we believe that, since no public transportation other than taxis is available on Guam, the use of a privately owned vehicle is a necessity and can be justified under the OMB regulations.

NEED FOR MORE SUITABLE OFFICE SPACE

At the time of our review, the Comptroller had office space near the government of Guam buildings. The office space consisted of two large rooms but did not include any private offices for either the Comptroller or his supervisory staff. The offices were obtained as a temporary measure and were being rented on a month-to-month basis.

The office space amounts to about 1,150 square feet. We estimated, by applying the criteria set forth in the Federal Property Management Regulations, that the Comptroller will need about 2,300 square feet of office space when the size of his staff is expanded to 16. At the time of our review, however, no firm plans had been made for obtaining suitable office space.

In September 1969 the Comptroller requested the Office of Territories to authorize him to lease office space and was advised that such a lease would require departmental approval. Department officials referred the Comptroller's request for space to the General Services Administration (GSA). Because that agency was not represented on Guam, it requested the Navy on Guam to find suitable space. The Navy submitted information on available office space to GSA in September 1970 and recommended that space be obtained in a building to be constructed. At the time of our review, GSA was negotiating a lease for the space recommended by the Navy but considered the lessor's proposal to be too high.

No decision had been made to start construction of the building. The time that this office space could be made available was therefore very indefinite.

We were unable to determine why GSA decided to obtain space in a building not under construction, particularly since the Comptroller had received several offers of suitable office space in existing buildings or buildings already under construction.

Departmental officials informed us that no other plans had been made to resolve the Comptroller's immediate need for adequate space. Officials of other Federal agencies on Guam told us that they had made their own lease arrangements directly with the lessors apparently without encountering any problems.

We believe that the Comptroller's present office space will become overcrowded when all authorized positions are filled. In addition, the present space is undesirable because it has no private offices and is being rented on a month-to-month basis, which means that its tenancy could be terminated on short notice. We therefore believe that there is a need for prompt action by the Department to obtain suitable office space for the Comptroller and his staff.

Agency comments

In our draft report we proposed that the Department increase its efforts to assist the Comptroller in obtaining more suitable office space. In commenting on our draft report, the Department stated that it was advised by GSA on December 22, 1971, that the Comptroller could negotiate for the lease of needed space and that the Comptroller was advised by the Department on January 5, 1972, to proceed to acquire the required space.

CONCLUSIONS

We believe that it would be easier to attract qualified persons for positions on the Comptroller's staff if they were provided with benefits comparable to those furnished by other Federal agencies to their employees on Guam. Such comparable benefits would include reemployment rights with the Department in the continental United States, assistance in obtaining and paying for rental housing, and reimbursement for the cost of shipment of privately owned automobiles to and from Guam.

RECOMMENDATIONS TO THE SECRETARY OF THE INTERIOR

We recommend that the Deputy Assistant Secretary for Territorial Affairs be directed to:

- Give consideration to devising a plan under which re-employment rights within the Department in the continental United States could be offered to all persons who accept employment on the Comptroller's staff on Guam.
- Give consideration also to the feasibility of providing housing assistance to the Comptroller and his staff.
- Give further consideration to authorizing the shipment to and from Guam at Government expense of privately owned automobiles of persons hired for the Comptroller's staff.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JAN 12 1972

Mr. Max Hirschhorn
Associate Director
Civil Division
U.S. General Accounting Office
Washington, D.C. 20548

BEST DOCUMENT AVAILABLE

Dear Mr. Hirschhorn:

The draft report to the House Committee on Interior and Insular Affairs on the "Review of the Activities of the Government Comptroller for Guam" has been reviewed and discussed in considerable detail with your staff. The understandings reached have resulted in improvements in the factual presentation as well as consideration of related organizational problems currently being resolved at the Departmental level. We feel certain matters, contained in your December 27, 1971 draft, have not been resolved. We would like to record our comments and positions regarding them for the consideration of the Congressional Committee. Time has precluded us from affording the Comptroller for Guam an opportunity to submit comments on the revised draft.

Improvements Needed in Auditing and Reporting

The Department concurs that the Comptroller of Guam's audit reports, especially in the initial stages of the Office's operation, did not meet standards established. Deficiencies were noted and corrective actions suggested to the Comptroller.

The Deputy Assistant Secretary for Territorial Affairs will issue a comprehensive plan to require the Comptroller to prepare an annual operating program. This program would provide for time budgeting related to established audit priorities. In establishing the program, consideration would be given to (1) allocating a greater proportion of audit resources to review of the activities of the Government of Guam, involving substantial expenditures of Government funds and (2) the extent to which audits of grant in aid should be made for other Federal agencies. Deviations from the operating program would have to be justified and approved. It is also intended to establish quality controls over the Comptroller's operations, including the use of on-site reviews of the Comptroller's work. The Comptroller was instructed to make his report available to the Guam Legislature in response to Resolution No. 84 of that Body by the Deputy Assistant Secretary for Territorial Affairs on July 29, 1971. The provisions of the Freedom of Information Act are applicable to the Comptroller's Office.

Need to Fill Vacancies in the Comptroller's Staff

Although there were 12 authorized budgeted positions for Guam in 1969, a ceiling of 10 was placed on the Comptroller's Office. The Comptroller was appointed on June 15, 1969 and all six auditor positions were filled by August 24, 1969, the Legal Counsel by August 31, 1969 and the two secretarial positions by September 8, 1969. Therefore, all 10 authorized positions were filled on September 8, 1969.

Ceiling for Guam was increased from 10 to 12 in Fiscal Year 1971. Requests to recruit were received in June 1970. One employee entered on duty July 31, 1970 and the other entered on duty September 1, 1970. The slight time lag was apparently necessary for completion of vouchering and request for release dates from other agencies. Therefore, as of September 1, 1970, all 12 authorized positions were filled.

One auditor separated effective January 25, 1971. It is difficult to reconstruct the delay in arranging the entrance on duty for replacement from January 25, 1971 to August 9, 1971. The candidate resided in Vermont, was offered the position by letter on June 11, 1971. He accepted the position in July and actually entered on duty August 9, 1971. It should be noted that during this time the Office of Territories Washington Office was in the process of abolishment. The Office was abolished June 30, 1971 and the responsibility for personnel servicing transferred to the Office of the Secretary July 1, 1971.

While the only actual vacancy was created by the separation in January 1971, an announcement was placed by the Comptroller in the Federal Government Accountant's Association publication "Financial Topics." As a result of this advertisement at least 30 applications and 50 telephone inquiries were received in Washington, D.C. alone. We were advised that approximately 100 applications were received by the Comptroller.

The ceiling for the Comptroller's Office was increased for Fiscal Year 1972 from 12 to 16. Final notification of this increased ceiling was not verified until the end of July 1971. The Comptroller planned a trip to Washington in August 1971, at which time he planned to interview possible candidates for the four newly authorized positions, and a vacancy that was created on August 14, 1971. This made a total of five auditor vacancies in mid August 1971. Complete arrangements for the interviews were made by the Office of Secretary Personnel Operations. The Comptroller interviewed seven candidates while in Washington and as a result two auditors were hired. One was hired to fill the vacancy and one to fill one of the four newly authorized auditor vacancies. After complete vouchering and arrangement for the release dates for these applicants, they entered on duty October 31, 1971. Three auditor vacancies remained. Mr. Fagg continued to review applications he had on hand after returning to Guam.

The Branch of Personnel Operations was advised the Comptroller was interested in hiring three individuals. The Civil Service Commission refused to certify one because of qualifications; one declined for medical reasons after all vouchering and processing had been completed; and the third declined the offer of a GS-12 indicating he would only accept a GS-13.

There are currently three auditor vacancies for which there are three candidates. One is pending CSC certification, another is pending receipt of reply to letter of availability, and the Branch of Personnel Operations is currently awaiting a signed request for personnel action from Mr. Fagg to hire the third.

[See GAO note, p. 40.]

The Branch of Personnel Operations is responsible for the recruitment effort for the Comptroller's Office. The Comptroller, however, receives applications directly and does maintain a supply of applications from which to make selections.

Reemployment Rights

As stated in the report, the Office of the Secretary does not provide reemployment rights for members of the Comptroller's staff. A check of all official personnel folders indicated that no employees in the Comptroller's Office have or were granted reemployment rights. The positions in Guam are permanent career positions and are not on a two-year duty contract nor currently in the rotational assignment category. It should be fully understood that these are permanent career positions with the permanent duty station of Agana, Guam. Recruitment of qualified personnel to date has been accomplished successfully without the employment benefits the report recommends implementing. Recruitment has generally been from outside the Department, although vacancy announcements are circulated within Interior.

The Office of the Secretary Personnel Office as a matter of long-standing policy does not grant administrative reemployment rights, although provisions exist in the personnel regulations for such a determination.

Assistance in Obtaining and Paying for Housing

The Department intends to provide a documental basis for a policy concerning housing for employees of the Comptroller's Office. The Office of the Secretary Personnel Officer has stated that if the results of the findings indicate an inequity for those employees compared to other Federal employees on Guam and there is statutory means for providing housing or rental subsidies, he would recommend in favor.

APPENDIX I

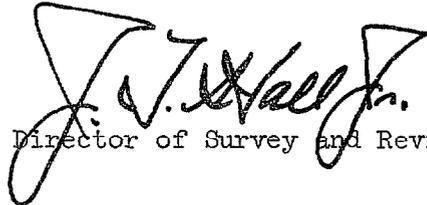
Shipment of Privately-owned Automobiles

The Department maintains that its present policy of not paying for the shipment of privately-owned vehicles of employees of the Office of the Comptroller for Guam is justified. In our opinion, the economics of the situation, not only of the Government--but the individual--cannot justify adopting the report's recommendation. Provisions are made for the availability of Government automobiles necessary for conducting the official business of the Comptroller's Office and regulations do not provide for shipment of private autos for the convenience of the employee or for transportation to and from work.

Need for More Suitable Office Space

The Department was advised December 22, 1971, in response to our request of October 29, 1969 for 2,000 square feet of office space in Agana, Guam, that GSA could not acquire the space requested and that the Comptroller was authorized to negotiate the lease of this needed space. The Comptroller of Guam was advised by the Department's Director of Management Operations on January 5, 1972 to proceed in acquiring the required space, using all principles of prudent negotiating in the expenditure of Government funds. It is assumed that the Comptroller, being granted this authority, will be able on his own action to correct the deficiencies noted in your report.

Sincerely yours,



Director of Survey and Review

GAO note: The deleted comments relate to a matter discussed in the draft report but omitted from this final report.

BEST DOCUMENT AVAILABLE

